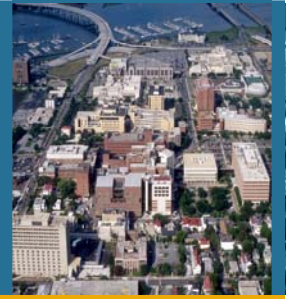




Colliers Keenan 2005 Mid-Year Medical Office Market Charleston, SC



July 2005

MARKET	TOTAL MEDICAL OFFICE MARKET					PROPOSED
	TOTAL	AVAILABLE	SUBLET	AVG. RATE	VACANCY	
Downtown Charleston	284,442	14,100	0	\$23.29	5.0%	90,000
North Charleston	405,658	17,950	0	\$22.14	4.4%	126,600
West Ashley/James Island	618,957	59,106	3,000	\$22.28	9.6%	113,507
East Cooper	574,506	49,944	3,464	\$23.85	10.9%	96,000
Total Market	1,878,559	141,100	6,464	\$22.89	7.2%	426,107

Market Trends

The Greater Charleston medical office market maintained growth in the first half of 2005, with rental rates inching up and absorption being positive. The growth trends throughout the East Cooper, West Ashley and North Charleston submarkets have remained as they have been over the past two to three years, with new product being added. Smaller specialty practices "cluster" as growth radiates outward in each submarket. West Ashley medical office development continued to moved toward the proposed West Ashley Circle at Bees Ferry Road and Glenn McConnell Parkway in support of the increasing residential base. Likewise, medical facilities and the submarkets of East Cooper and North Charleston moved outward to new pockets of residential density. Activity in the Downtown Charleston submarket, though strong as well, was contrary to the suburban markets and experienced infill growth as opposed to radiating growth. Overall, the medical office market grew by 46,015 square feet to 1,878,559. Vacancy rose slightly to 141,100 square feet, but absorption was positive. Rental rates have increased by \$.71 to \$22.89 per square foot annually.

Downtown Charleston

Activity continues to heighten in Downtown Charleston as the Roper and MUSC hospital projects move forward with major expansion. While Roper Hospital has completed building the expansion structure and works toward completion of the interior

finishes, MUSC has erected steel for one of its Hospital Replacement Project buildings and anticipates a large number of division relocations throughout the campus. MUSC's College of Health Professions plans on an August occupancy of the 80,000 square foot Charleston High School building on Rutledge Avenue. This newest Class "A" project in Downtown Charleston located at 163 Rutledge Avenue is projected to be online with approximately 7,500 square feet of medical office space remaining in October. Overall rental rates in the Downtown submarket have continued to climb, while vacancy remains low at 5.0% and may drop further by year end.



163 Rutledge, at the corner of Rutledge Avenue and Doughty Street, is nearing a late October completion date.

North Charleston

With a vacancy rate of 4.4%, the lowest in the entire greater Charleston market, North Charleston shows continued strength with average rental rates increasing from \$21.69 per square foot to \$22.14. Expansion of

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Medical

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practices currently in the area and new satellite offices of practices elsewhere coupled with a 2004 fire at Trident Executive Village have helped to hold the vacancy rate at such a low level. New development in North Charleston includes the medical office building (MOB) product developed on Ladson Road, which slowly bridges the gap between North Charleston and Summerville submarkets, and a new building at University Place across University Boulevard from HealthSouth and Trident Hospital. As we observe this slow but steady growth, North Charleston will continue to see vacancy drop and rental rates remain strong as seen within the other submarkets.

West Ashley / James Island

The West Ashley and James Island submarkets continue to lure physicians from other areas. The Citadel Medical Plaza of approximately 15,000 square feet was recently built on Mary Ader Avenue just off of Glenn McConnell parkway past St. Francis Hospital. This marks the most distant MOB in the West Ashley submarket and is occupied by physicians from Downtown, Lower North Charleston and West Ashley. Vacancy in the West Ashley and James Island submarkets has risen slightly from 8.4% to 9.6%, due to expansion of the submarket. Charlie Hall Boulevard has one newly constructed MOB, which has only 3,500 square feet remaining, and 1930 Charlie Hall Boulevard consists of 9,000 square feet of medical space which is available. Ellis Oaks Medical Park on James Island has only one space of approximately

3,250 square feet remaining. As new Class "A" MOB projects fuel the growth of these submarkets and vacancy remains relatively low, rental rates have increased from \$20.72 per square foot to \$22.28 and should continue to remain strong through the rest of the year.



1930 Charlie Hall Boulevard located in Essex Medical Park has 9,000 square feet of available Class "A" medical space.

East Cooper

East Cooper rental rates held firmly at \$23.85 per square foot though the vacancy rate throughout Mt. Pleasant and Daniel Island rose to 10.9%. Daniel Island Medical Center has first generation space remaining and, with the restructuring and construction of the twenty-two month old Prevecare and its state-of-the-art medical imaging center, Daniel Island alone is left with a 40% vacancy rate of MOBs 5,000 square feet or greater. Look to see this East Cooper vacancy drop as the Prevecare building expects to be fully leased again within several weeks and the Medical Center of East Cooper continues to backfill space vacated by tenants in 2004. Several tenants are currently evaluating a new location in this submarket as Carolina Kidney and Hypertension Center did with its new Mt. Pleasant Dialysis Clinic on E-Wall Street. Future growth further north includes Roper St. Francis' proposed \$90

million hospital and an approximately 69,000 square foot Wingo Way MOB at the foot of the old Cooper River bridge.

Forecast

There should be no surprises in the Charleston medical office market through the end of the year. We will continue to see steady growth in all submarkets with vacancy decreasing and rental rates remaining strong and growing. We should see the MOB on Wingo Way come out of the ground and other medical practices located along Long Point Road and on Daniel Island. North Charleston may not see any new major developments by the end of 2005, but vacancy should remain extremely low while rental rates will stay strong. In the future, look to see a new "medical office cluster" in West Ashley, as Savage Road has been fully occupied and land on Charlie Hall Boulevard is in short supply. The Downtown submarket must continue with infill projects to help revitalize certain areas of the Peninsula. The overall Charleston medical office market is robust and reflects Charleston's strong overall economy.

NOTE: Permission is granted to quote from this publication only when Colliers Keenan Inc. is credited as the source. All information contained herein was compiled utilizing data from sources deemed reliable. It is submitted without warranty. Statistical data was collected as of June 30, 2005 and encompasses all medical buildings 5,000 square feet and greater.

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